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Tally Prime Ch - 3 Basic Accounting Terms Part 1



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What is Business Transaction?

The term "Business Transaction" means a financial transaction or event entered into by the parties and recorded in the books of accounts. It is a financial event, which can be expressed in terms of money and brings change in the financial position of an enterprise.



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There are two types of Transaction.

- 1. Cash Transaction: When the amount is transacted immediately on entering in to a transaction, it is a Cash Transaction.
- 2. Credit Transaction: When the amount is not transacted immediately and promise to pay later, it is a Credit Transaction.



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What is Capital?

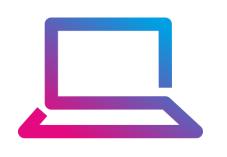
Capital is the amount invested by the proprietor or partner in the business. It may be in the form of money or assets having money value. It is a liability of the business towards the proprietor or partner.



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What is Drawings?

It is the amount withdrawn or goods taken by the proprietor for his personal use. Goods so taken by the proprietor are valued at purchase cost. Drawings reduce the investment (or capital) of the owners.



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What is Liabilities?

liabilities mean the amount owed (payable) by the business to outsiders and to the proprietors.



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There are two types of liabilities.

- 1. Current Liabilities (Short term liabilities): These are those liabilities which are payable within a year. Example of current liabilities are creditors, bills payable, short term loans, etc.
- 2. Non Current Liabilities (Long term liabilities):- Long term liabilities are those liabilities which are payable after a longer period, (more than a year). Examples of long term liabilities are long term loans, debentures, equity shares etc.

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What is Assets?

Assets are property or legal rights owned by an individual or business to which money value can be attached. In other words anything which will enable the firm to get cash or a benefit in the future, is an assets. Examples of assets are land, building, machinery, furniture, stock, debtors, cash and bank balances, etc.



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There are two types of Assets.

a) Current assets: - Current assets are those assets which are retained in the business with the purpose to convert them into cash within a short period say, one year. For example goods are purchased with a purpose to resale and earn profit.



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There are two types of Assets.

b) Non Current assets(Fixed Assets): Fixed assets are those assets which are acquired not with the purpose to resale but to facilitate business operations and increase the earning capacity of the business by employing them. Examples of fixed assets are land, building, machinery, computers, vehicles, furniture, etc.



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There are two types of Fixed Assets.

- a) Tangible Assets: Tangible assets are those assets which have physical existence, they can be seen and touched. Examples of tangible assets are land, building, machinery, computer, furniture, goods, etc.
- b) Intangible Assets: intangible assets are those assets which do not have physical existence, the cannot be seen and touched Examples of intangible assets are patents, goodwill, trademark, copyrights etc.

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